

This space reserved for the Assessor

Assessor must stamp date return was received.

STATE OF MISSOURI 1938 INDIVIDUAL INCOME TAX RETURN

Tax assessed on this Return due and payable to the County Collector on or before June 1, 1939.

DO NOT FILE THIS RETURN WITH STATE AUDITOR

See Instruction No. 1.
Bottom Page 1

NAME OF TAXPAYER (Print full name plainly) BURDETTE G. JOHNSON
(The use of initials causes errors.)
HOME ADDRESS 642 ENRIGHT AV UNIVERSITY CITY MO.
(Street and number or Rural Route) (City or Town) (State)
OCCUPATION, PROFESSION OR KIND OF BUSINESS res. manager

ALL THE FOLLOWING QUESTIONS MUST BE ANSWERED

- (a) Are you filing a 1938 Federal Income Tax Return? Yes If so, a verified copy must be attached to this return. See Laws 1931.
(b) Have you been notified of any change in amount of Net Income for 1937? No 1937? No by the Federal Government?
(c) Are you married? No (d) Is this a joint return of husband and wife?

INCOME		DOLLARS	CTS.	DOLLARS	CTS.
(1) Salaries, Wages, Commissions, Bonuses, etc. (State name and address from whom received)	<u>General 915 N. Webster</u>	<u>231</u>	<u>38</u>		
(2) Income from Business or Profession (From Schedule A)	<u>BF King Bros. Co. To S. Other</u>	<u>92</u>			
(3) Income from partnerships and fiduciaries, etc. (Give name and address)	<u>home 1 Co. in S</u>	<u>200</u>			
(4) Interest on deposits, notes, mortgages, corporation bonds, tax free or otherwise, and on state, county, school and municipal obligations other than Missouri		<u>7102</u>	<u>62</u>		
(5) Rents and Royalties, including royalties from U. S. Patents and Copyrights (From Schedule B)					
(6) Profits from Sale or Exchange of Real Estate, Stocks, Bonds, etc. (From Schedule C)		<u>26</u>	<u>67</u>		
(7) Dividends on stock of Corporations, Joint-Stock Companies, Holding Companies, etc. (From Schedule D; Column (b))		<u>343</u>	<u>30</u>		
(8) Other income not enumerated above (Explain in Schedule F)		<u>689</u>	<u>75</u>		
(9) TOTAL INCOME—Items 1 to 8, inclusive				<u>8652</u>	<u>72</u>
DEDUCTIONS		DOLLARS	CTS.	DOLLARS	CTS.
(10) Interest paid—From Schedule E					
(11) Taxes (except Inheritance, State Income, and Local Benefit Taxes) (Explain in Schedule F)		<u>626</u>	<u>14</u>		
(12) Bad Debts (Explain in Schedule F). (Do not include here any bad debts included in Business Schedule A)					
(13) Losses by fire, storm, casualty or theft—not compensated for by insurance (Explain in Schedule F)					
(14) Other Statutory Deductions (Explain in Schedule F)					
(15) Personal Exemption and credit for Dependents: Single, \$1,000.00. Married or Head of Family, \$2,000.00. For each dependent, under 18 years of age, or mentally or physically incapable of self-support, \$200.00. Explain in Schedule H, page 2.		<u>1000</u>			
(16) TOTAL DEDUCTIONS AND EXEMPTIONS—Items 10 to 15, inclusive				<u>1626</u>	<u>14</u>
(17) INCOME—Item 9 minus Item 16				<u>7026</u>	<u>58</u>
(18) Donations to religious, charitable and educational organizations (List in Schedule F). Not in excess of 15% of amount shown on line 17.				<u>14</u>	
(19) NET INCOME (Item 17 minus Item 18)				<u>7012</u>	<u>58</u>

COMPUTATION OF TAX

INSTRUCTIONS		NET INCOME Item 19. (See Instructions.)	Show Total Amount of Net Income (Item 19) on Appropriate Line below. (Use one line only.)	Tax Rate.	Gross Tax (C times B).	Less Special Credit Authorized by Law.	NET TAX (D minus E).
RATE LINE		A	B	C	D	E	F
Enter net income, from line 19, in one amount on appropriate Rate Line, in column "B."							
If your net income, line 19, is \$1,000.00 or under, enter on line "a"; if over \$1,000.00 and not over \$2,000.00, enter on line "b"; if over \$2,000.00 and not over \$3,000.00, enter on line "c"; if over \$3,000.00 and not over \$5,000.00, enter on line "d"; if over \$5,000.00 and not over \$7,000.00, enter on line "e"; if over \$7,000.00 and not over \$9,000.00, enter on line "f"; all amounts over \$9,000.00, enter on line "g."							
(20)	a	0 to \$1,000.00		1%		None	
	b	\$1,000.01 to \$2,000.00		1½%		\$5.00	
	c	\$2,000.01 to \$3,000.00		2%		15.00	
	d	\$3,000.01 to \$5,000.00		2½%		30.00	
	e	\$5,000.01 to \$7,000.00		3%		55.00	
	f	\$7,000.01 to \$9,000.00	<u>7050</u>	3½%	<u>246</u>	<u>85</u>	<u>156</u>
	g	\$9,000.01 and over		4%		135.00	
Use one line only for entire computation.							
(21)	Less Tax Credit on Dividends—Column "e," Schedule "D," on page 2					<u>29</u>	
(22)	Less credit for income tax previously overpaid. Attach Credit Slip approved by State Auditor.						<u>29</u>
(23)	NET TAX for Year 1938—Amount in Column F in Item 20, Less Items 21 and 22						<u>156</u>

STATE OF MISSOURI—COUNTY OR CITY OF....., ss.

I swear (or affirm) that to the best of my knowledge and belief, the statements contained in this return, including the accompanying schedules and statements (if any) are true, and that this return is a true and complete statement, in accordance with the law, of all income, gains and profits received by or accrued to me (or the person for whom this return is made) during the taxable year 1938.

Sworn to and subscribed before me, this.....day of....., 1939.

(Signature of individual or agent.)

(Signature of officer administering oath.)

(Address of individual or agent.)

1-Resident individual must file this return with Assessor of your County, City or District by March 15th, 1939.

2-Non-resident individual must file this return in the district where chief office is located or in district from which income is received.

3-Taxes under this return are due and payable to the County Collector in May and become delinquent if not paid on or before June 1st, 1939.

4-Residents are taxable on income from all sources which has been received or has been made available to the taxpayer during the year.

(1) Total income from business or profession		\$ 5,167.30	
COST OF GOODS SOLD:		OTHER BUSINESS DEDUCTIONS:	
(2) Labor	\$ 26.00	(10) Salaries not included as "Labor" in Line 2. (Do not deduct compensation for your services)	\$ 1,172.00
(3) Material and supplies	88.83	(11) Interest on business indebtedness to others	258.27
(4) Merchandise bought for sale	429.45	(12) Taxes on business and business property	224.85
(5) Other costs (list principal items and amounts below, or on a separate sheet)	10.53	(13) Losses (explain in table at foot of page)	—
(6) Plus inventory at beginning of year	858.14	(14) Bad debts arising from sales or services	—
(7) TOTAL	\$ 1,399.28	(15) Depreciation, obsolescence, and depletion (explain in table provided at foot of page)	—
(8) Less inventory at end of year	98.36	(16) Rent, repairs, and other expenses (itemize below or on separate sheet)	840.00
(9) NET COST OF GOODS SOLD	\$ 4,179.32	(17) TOTAL (Lines 10 to 16)	\$ 2,779.32
		(18) TOTAL DEDUCTIONS (Line 9 plus Line 17)	\$ 4,451.68
		(19) NET PROFIT (Line 1 minus Line 18) (Enter as Item 2)	\$ 710.22

Explanation of deductions: 1,172.00 Labor; 88.83 Material and supplies; 429.45 Merchandise bought for sale; 10.53 Other costs; 858.14 Inventory at beginning of year; 98.36 Inventory at end of year; 224.85 Taxes on business and business property; 840.00 Rent, repairs, and other expenses; 2,779.32 Total deductions; 4,451.68 Total deductions; 710.22 Net profit.

SCHEDULE B—INCOME FROM RENTS AND ROYALTIES						
1. Kind of Property.	2. Amount received.	3. Cost or value as of Jan. 1, 1917, whichever greater. See * below.	4. Depreciation. (Explain in table at foot of page.)	5. Repairs.	6. Other expenses. (Itemize below.)	7. Net profit. (Enter as Item 5, page 1.)
	\$	\$	\$	\$	\$	\$

SCHEDULE C—PROFIT OR LOSS FROM SALE OR EXCHANGE OF REAL ESTATE, STOCKS, BONDS, ETC.						
1. Kind of Property.	2. Date acquired.	3. Gross amount realized.	4. Depreciation allowable since acquisition.	5. Cost or value as of Jan. 1, 1917. See * below.	6. Subsequent improvements.	7. Net profit. (Enter as Item 6, page 1.)
as per list attached		\$	\$	\$	\$	\$ 343.30

SCHEDULE D—DIVIDENDS RECEIVED					
Name of Company. (a)	Total amount received. Report on line 7, page 1.	Percentage of net income on which the distributing corporation paid tax to State of Missouri last preceding taxable period. (c)	Amount or portion of dividends received on which the distributing corporation paid tax. c x b. (d)	Credit of 2% of item (d) to be deducted on line 21, page 1. (e)	
Wagner New Corp. Boston Co.	\$ 20.00	48	\$ 14.40	29	
Other dividends as per list attached	659.75				
Total	\$ 689.75		\$	\$ 29	

Enter total of Column (b) as Item 7 on Page 1.

SCHEDULE E—INTEREST—Deduction of interest will be allowed only when the following information is furnished:			
Payer.	Address.	Amount.	
Wagner New Corp. Boston Co.		\$ 258.27	

SCHEDULE F							
THREE US INCOME TAX 608 1/2 ST. LOUIS CO. TAX 1316 UNIVERSITY CITY, TAX 400							
CONTRIBUTORS UNITED CHARITIES 102 ANT. TOWER BUILDING SAC 2-							
ST. LOUIS SOCIETY FOR CRIPPLED CHILDREN 2-							

SCHEDULE G—EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES A AND B							
1. Kind of Property. (If buildings, state material of which constructed.)	2. Date acquired.	3. Age when acquired.	4. Probable life after acquisition.	5. Cost (Exclusive of Land).	6. Jan. 1, 1917, value if acquired prior to that date Exclusive of Land. See * below.	7. Depreciation allowed (or allowable) in prior years.	8. Depreciation allowable this year.
				\$	\$	\$	\$

SCHEDULE H	
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INSTRUCTIONS

Dividends—Schedule D. All dividends received from foreign or domestic corporations (except National Banks located in the State of Missouri) are to be listed as income. Tax credit on dividends (Line 21, Page 1) can be computed on that part of dividends on which the corporation paid a tax during the preceding taxable year. (In order to determine the proper credit the taxpayer should procure from the issuing corporation, the Percentage of Net Profit on which Corporation paid Tax to State of Missouri.)

Head of Family—A person who actually supports and maintains in one household one or more individuals who are sole dependents and who are closely connected with him by blood, marriage or adoption, and whose right to exercise family control and provide for these dependents is based upon some moral or legal obligation.

Federal Returns—If your income is sufficient to require you to file a Federal Income Tax Return, a verified copy must be attached to this return. See Laws of 1931.

* If value claimed is more than cost, substantiating evidence must be attached.

March 1, 1913, it will be computed on the fair market value of such property as of that date or its original cost (less depreciation actually sustained before that date), whichever is greater.

See sections 23 (a) and 114 and Regulations 101 with respect to additional forms and information required if a deduction is claimed for depletion.

L. INFORMATION AT SOURCE.—Every person making payments of salaries, wages, interest, rents, commissions, or other fixed determinable income of \$1,000 or more during the year 1938, to an individual, a partnership, or a fiduciary, is required to make a return on Forms 1066 and 1069 showing the amount of such payments and the names of each recipient, except that a return need not be made for payments of salaries or other compensation for personal services aggregating less than \$2,500 made to a married individual. These forms will be furnished by any collector of internal revenue upon request and must be forwarded to the Commissioner of Internal

The following instructions are numbered to correspond with item numbers on page 1 of the return:

1. **Salaries and other compensation for personal services.**—An amount claimed as a deduction for ordinary and necessary expenses sustained for salaries, etc., such as traveling expenses while away from home in connection with your occupation, should be fully explained in Schedule A or in an attached statement. Traveling expenses under this item include expenditures for transportation, meals, and lodging. The expenses of a commuter in traveling to and from work are not deductible.

If a joint return is filed, enter as separate items in Schedule A earnings of each spouse. Earnings of minor children should also be entered in Schedule A, if parent is legally entitled to such earnings.

2. **Dividends.**—Enter as item 2 the total of all taxable dividends received from domestic and foreign corporations. Enter in Schedule I all dividends received which are claimed to be nontaxable, and include in item 11 dividends on share accounts in Federal savings and loan associations.

5. **Interest on Government obligations, etc.**—Interest on an aggregate of not exceeding \$5,000 principal amount of the obligations authorized on (a) Schedule B, is exempt from the surtaxes imposed by section 12. Enter in column 4, line (e), interest received from such obligations in an amount not exceeding the interest received or accrued on an aggregate principal of \$5,000 of such obligations. If at any time during the taxable year you held more than \$5,000 principal in the aggregate of such obligations, enter in item 5, line (e), the interest received or accrued on the excess interest on an aggregate of \$5,000 principal amount of such obligations. If, during the taxable year, you were the beneficiary of an estate or trust, the income of which is to be distributed to the beneficiaries currently, or a member of a partnership, you are entitled to exemption as if you owned directly a proportionate part of such obligations. If, however, your proportionate part should be included in filing out Schedule B.

Interest coupons falling due within the taxable year will be considered as income for such year when the books are kept on a cash basis. If the books are kept on an accrual basis, report the actual amount of interest accrued on the obligations owned during the taxable year.

7. **Income from partnerships, syndicates, pools, etc., and fiduciaries.**—Enter as item 6 your share of the profits (whether received or not) or of the losses of a partnership (including a syndicate, pool, etc., not taxable as a corporation) except your distributive share of partnership capital gains or losses, which should be reported in Schedule F and included in item 10 (a) or (b). Enter as item 7 income from an estate or trust. If you are a partner in a partnership, or a fiduciary, etc., owned by a partnership or an estate or trust should be included in Schedule B. (See also Specific Instruction 5.) Include in items 32 and 33, respectively, your share of credits claimed for Federal income tax paid at source, and foreign income and profits taxes.

If the taxable year on the basis of which you file your return does not coincide with the annual accounting period of the estate or trust, or partnership, you should include in your return your distributive share of the net profits for such accounting period ending within or with your taxable year.

If the taxable year of the partnership began before January 1, 1938, and your taxable year began after December 31, 1937, see section 188 (b). **Income from rents and royalties.**—Fill in Schedule C giving the information requested.

If you received property or crops in lieu of cash rents, report the income as though the rent had been received in cash. Crops received as rent on a crop-share basis should be reported as income for the year in which disposed of (unless your return is on the accrual basis).

9. **Profit (or loss) from business or profession.**—If you owned a business, or practiced a profession on your own account, fill in Schedule D of the return, and enter the net profit (or loss) as item 9 of the return.

Farmer's income schedule.—If you are a farmer and keep no books of account, or keep books on a cash basis, obtain from the collector, and attach to this return, Form 1040F, Schedule of Farm Income and Expenses, and enter the net farm income as item 9 of the return. If your farm book account is kept on an accrual basis, the filing of Form 1040F is optional.

Installment sales.—If the installment method is used, attach to the return a schedule showing separately for the years 1935, 1936, 1937,

Revenue, Sorting Section, Washington, D. C., in time to be received not later than February 15, 1938.

PERSONAL HOLDINGS IN FOREIGN CORPORATIONS AND PERSONAL HOLDING COMPANIES.—If at any time during the taxable year you owned directly or indirectly any stock of a foreign corporation (including a foreign personal holding company, as defined in section 331, in which you owned less than 5 percent in value of the outstanding stock of such company) or a personal holding company, as defined in section 102, attach to your return a statement setting forth the name and address of each such company and the total number of shares of each class of outstanding stock owned by you during the taxable year. If you owned stock at any time during the taxable year in a foreign personal holding company, as defined in section 331, you must include in your return income by reason of the ownership as included in your return income by section 337. If you owned 5 percent or more in value of the outstanding stock of such foreign personal holding company, set forth in an attached statement in complete detail the information required by section 337 (d).

SPECIFIC INSTRUCTIONS

and 1938 the following: (a) Gross sales; (b) cost of goods sold; (c) gross profits; (d) percentage of profits to gross sales; (e) amount collected; and (f) gross profit on amount collected. (See section 44.)

Inventories.—If you are engaged in a trade or business in which the production, manufacture, purchase and sale of merchandise is an income-producing factor, inventories of merchandise on hand should be taken at the beginning and end of the taxable year, which may be valued (a) at cost, or (b) at cost or market, whichever is lower. Taxpayers were given an option to adopt the basis of either (a) cost, or (b) cost or market, whichever is lower, for their 1920 inventories. The basis properly adopted for that year or any subsequent year is controlling and a change can now be made only after permission is secured from the Commissioner. Application for permission to change the basis of valuing inventories shall be made in writing and filed with the Commissioner within 90 days after the beginning of the taxable year in which it is desired to make the change. With respect to inventories of producers and processors of certain non-ferrous metals and tanners, see section 22 (d).

Salaries.—Do not include compensation for services of yourself, your dependent minor children (if you are legally entitled to their earnings), or of husband or wife if a joint return is filed, which items are not deductible.

Interest.—Enter on line 11 interest on business indebtedness. Do not include interest to yourself on capital invested in or advanced to the business. As to limitations on deductions for unpaid expenses and interest to certain persons, see Specific Instruction 14.

Taxes.—Enter on the 12 taxes on business property or for carrying on business. (See also Specific Instruction 5.)

Losses.—Enter on line 13 losses incurred in the trade or business, if not compensated for by insurance or otherwise. (See also Specific Instruction 16.) Losses from sale or exchange of capital assets and other property should be entered in Schedules F and G, respectively, and item 10 of the return.

Bad debts.—Bad debts may be treated in either of two ways:—(1) by a deduction from income in respect of debts ascertained to be worthless in whole or in part; or (2) by a deduction from income of a reasonable addition to a reserve for bad debts.

Taxpayers were given an option for 1921 to select either of these methods and the method used in the return for the year 1921 must be used in returns for all subsequent years unless permission is granted by the Commissioner to change to the other method. Application for permission to change the method shall be made in writing at least 30 days prior to the close of the taxable year for which it is desired to effect the change.

A taxpayer filing a first return of income may select either of the two methods mentioned above subject to approval by the Commissioner. If the method of a first return is changed after the year 1921, it must be followed in returns for subsequent years, except that permission may be granted by the Commissioner to change to the other method.

If the reserve method is used, you should attach to your return the statement required by article 23 (k)–5 of Regulations 101.

Debts arising from sales or services are not deductible unless the original amount was paid in cash or cash equivalent. Bonds which are assigned to be worthless and charged off within the taxable year and which are capital assets, are not to be treated as bad debts, but the loss resulting therefrom shall be considered as a loss from the sale or exchange, on the last day of such taxable year, of capital assets and should be reported in Schedule F.

Previously collected, or allowed as a deduction, and subsequently collected must be returned as income for the year in which collected.

Rents, repairs, and other expenses.—Do not include rent for a dwelling occupied by you for residential purposes, the cost of business equipment or furniture, expenditures for replacements or permanent improvements to property, nor personal, living, or family expenses.

10. **Gains and losses from sales or exchanges of capital assets and other property.**—Report sales or exchanges of capital assets in Schedule F, and sales or exchanges of other property in Schedule G, and enter the net amount of gain or loss to be taken into account in computing net income as item 10.

Definition of "capital assets."—The term "capital assets" means property held by the taxpayer (whether or not connected with his trade

or business), but does not include stock in trade of the taxpayer or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business, or property, used in the trade or business at the time of the sale or exchange, of a character which is subject to the allowance for depreciation under the term "capital" as distinguished from depreciable improvements upon the land.

Description of property.—Every sale or exchange of property, even though no gain or loss may be indicated, must be reported in detail. Enter full description of each item of property sold or exchanged. Such description should include the following facts: (a) For real estate, location and description of land, description of improvements, details explaining depreciation (columns of Schedule F); (b) for bonds or other evidences of indebtedness, name of issuing corporation, description of the particular issue, denomination, and amount; and (c) for stocks, name of corporation, class of stock, number of shares, capital changes affecting basis (nontaxable stock dividends, other nontaxable dividends, stock rights, etc.).

Basis.—If the property was acquired before March 1, 1913, the "basis" for the property is not subject to the same rule for reporting gains as for losses. In such cases, the basis for determining GAIN is the cost or the fair market value as of March 1, 1913, adjusted as provided in section 113 (b), whichever is greater, but in determining LOSS the basis is cost so adjusted. If the property was acquired after March 1, 1913, basis for both gain and loss is the cost of such property, except as otherwise provided in section 113. The exceptions arise chiefly where property was acquired by gift, bequest, tax-free exchange, involuntary conversion, wash sale of stock; and in such cases section 113 provides the basis that shall be used. If the amount shown as the basis is other than actual cash cost of the property sold or exchanged, full details must be furnished regarding the acquisition of the property, as in column 7 of Schedule A. If the property is sold with respect to Schedule G, the amount of depreciation, exhaustion, wear and tear, obsolescence, or depletion which has been allowed (but not less than the amount allowable) in respect of such property since date of acquisition, or since March 1, 1913, if the property was acquired before that date. In addition, if the property was acquired before March 1, 1913, the cost shall be reduced by the depreciation actually sustained before that date.

Subsequent improvements include expenditures for additions, improvements, and renewals and replacements made to restore the property or prolong its useful life. Do not deduct ordinary repairs, interest, or taxes in computing gain or loss.

Losses on securities becoming worthless.—If any securities (as defined below) become worthless during the taxable year and are capital assets, the loss resulting therefrom shall, in the case of a taxpayer other than a bank, as defined in section 104, be considered as a loss from the sale or exchange, on the last day of such taxable year, of capital assets.

Definition of securities.—As used for this purpose, the term "securities" means bonds, debentures, notes, or certificates, or other evidences of indebtedness, issued by any corporation (including those issued by a government or political subdivision thereof), with interest coupons or in registered form.

Losses on stocks or stock rights becoming worthless.—If any shares of stock in a corporation or rights to subscribe for or to receive such shares become worthless during the taxable year and are capital assets, the loss resulting therefrom shall be considered as a loss from the sale or exchange, on the last day of such taxable year, of capital assets.

Classification of capital gains and losses.—Section 117 (a) (2) to (9), inclusive, defines "short-term capital gain," "short-term capital loss," "long-term capital gain," "long-term capital loss," "net short-term capital gain," "net short-term capital loss," "net long-term capital gain," and "net long-term capital loss." The phrase "short-term" applies to the category of gains and losses arising from the sale or exchange of capital assets held for 18 months or less; the phrase "long-term" to the category of gains and losses arising from the sale or exchange of capital assets held for more than 18 months.

In the case of individuals, gains and losses from the sale or exchange of capital assets held for not more than 18 months, and as short-term capital gain or short-term capital loss, shall be segregated from gains and losses arising from the sale or exchange of such assets held for more than 18 months (described as long-term capital gains and long-term capital losses).

Percentage of capital gain or loss taken into account.—In computing the net income of an individual, the following percentages of the gain or loss resulting upon the sale or exchange of a capital asset shall be taken into account in computing net income:

100% If the capital asset has been held for not more than 18 months;
66⅔% If the capital asset has been held for more than 18 months and not more than 24 months;

50% If the capital asset has been held for more than 24 months.

Limitation on short-term capital losses.—Section 117 (d) (2) provides a limitation on deductions for short-term capital losses of individuals, that is, losses from sales or exchanges of capital assets held

for 18 months or less shall be allowed as deductions only to the extent of the gains from sales or exchanges of capital assets held for 18 months or less. However, subsection (e) provides that in the case of an individual having in any taxable year (beginning after December 31, 1937) a net short-term capital loss, he may carry over such loss, in an amount not in excess of his net income for such year (the year in which the loss is realized), to the next succeeding taxable year and treat it in such succeeding year as a short-term capital loss. The carry-over is thus applied in such succeeding year to offset any short-term capital gains in such succeeding year not already offset by short-term capital losses in such year. The carry-over is restricted to one year, namely, the succeeding taxable year, and hence the amount of the net short-term capital loss carry-over may not be included in computing a new short-term capital loss which can be carried over to the succeeding taxable year. In the case of individuals, there is no limitation on deductions for long-term capital losses.

Alternative tax in case of net long-term capital gain or loss.—In the case of a net long-term capital gain of an individual, subsection (c) (1) of section 117 imposes an alternative tax in lieu of the normal tax and surtax imposed upon net income, if and only if such alternative tax is less than the tax otherwise imposed. This alternative tax is the sum of (1) a partial tax, computed at the normal tax and surtax rates on the net income of the taxpayer decreased by the amount of such net long-term capital gain, plus (2) 30 percent of the net long-term capital gain.

In the case of a net long-term capital loss of an individual, an alternative tax is imposed in lieu of the normal tax and surtax imposed on net income, if and only if such alternative tax is greater than the tax otherwise imposed. This alternative tax is the excess of (1) a tax, computed at the normal tax and surtax rates on the net income of the taxpayer increased by the amount of such net long-term capital loss, over (2) the amount of the net long-term capital loss.

Determination of period for which capital assets are held.—If property was acquired in certain transactions described in sections 112, 113, and 118, the period for which such property is considered to have been held by the taxpayer is not computed from the date such property was acquired by the taxpayer but from a prior date, as provided in section 117 (b).

Application of section 117 in the case of husband and wife.—In the application of section 117 to short-term capital gains and losses, a husband and wife, regardless of whether a joint return or separate returns are made, are considered to be separate taxpayers. Accordingly, the limitation under section 117 (d) (2) on the allowance of losses of one spouse from the sales or exchanges of capital assets held for not more than 18 months does not apply to the other spouse with regard to gains and losses of the other spouse upon sales or exchanges of capital assets held for not more than 18 months. In the case of a joint return of a husband and wife, capital transactions of each should be reported in separate schedules.

As to gains and losses from short sales, see section 117 (g). As to gains and losses from distributions in liquidation of corporations, see section 118.

Losses not allowable.—Wash sales.—In the case of any loss claimed to have been sustained from any sale or other disposition of shares of stock or securities where it appears that, within a period beginning 30 days before the date of such sale or disposition and ending 30 days after such date, the taxpayer has acquired (by purchase or by an exchange) upon which the entire amount of gain or loss was recognized by him, or has entered into a contract or option so to acquire, substantially identical stock or securities, then no deduction for the loss shall be allowed unless the claim is made in connection with the taxpayer's trade or business. (See section 118.)

Losses in transactions between certain persons.—No deduction shall be allowed in respect of losses from sales or exchanges of property, directly or indirectly:

A. Between members of a family, which is defined for the purpose of this paragraph to include only the taxpayer's brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants.

B. Between a grantor and a transferee in liquidation, between an individual and a corporation more than 50 percent in value of the outstanding stock of which is owned, directly or indirectly, by such individual;

C. Between a grantor and a fiduciary of any trust; or

D. Between a fiduciary of a trust and a beneficiary of such trust.

For the purposes of determining ownership of stock in applying this paragraph, see section 24 (b) (2).

In the case of an individual, in any taxable income, space for reporting which is not provided elsewhere on the return, enter it as item 11, and explain its nature, using a separate sheet if necessary for that purpose. Include in this item taxable income from annuities and insurance proceeds. Amounts received as an annuity under an annuity or endowment contract shall be included in gross income to the extent of 3 percent of the aggregate premiums or consideration paid for such annuity. If the aggregate of the amounts of such annuities, sub-excluded from gross income in years previous to the taxable year equals the aggregate premiums or consideration paid for such annuity, the entire amount received must be included in gross income. (Section 22 (b) (2).)

Amounts received during the taxable year under a life insurance or endowment policy, other than amounts paid by reason of the death of the insured, including payments received by the insured or amounts received as annuities) shall be included in gross income if the amounts so received (when added to the amounts received before the taxable year under such policy) exceed the total premiums or consideration paid

Include also in item 11 dividends on share accounts in Federal savings and loan associations.

12. Total income.—Enter and explain in Schedule I all income (except interest which should be explained in Schedule B) claimed as exempt, but do not include as part of item 12.

13. Contributions paid.—Enter as item 13 the contributions or gifts reported in Schedule H, payment of which was made within the taxable year to for the use of:

(A) The United States, any State, Territory, or any political subdivision thereof, or the District of Columbia, for exclusively public purposes;

(B) A domestic corporation, partnership, or domestic community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, and no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

(C) Any special fund for vocational rehabilitation authorized by section 12 of the World War Veterans' Act, 1921;

(D) Posts or organizations of war veterans, or auxiliary units or societies of any such posts or organizations, if such posts, organizations, units, or societies are organized in the United States or any of its possessions, and if no part of their net earnings inures to the benefit of any private shareholder or individual;

(E) A domestic fraternal society, order, or association, operating under the lodge system, and which is exempt from Federal income tax, and for the prevention of cruelty to children or animals.

The amount claimed shall not exceed 15 percent of your net income computed without the benefit of this deduction.

14. Interest.—Enter as item 14 interest on personal indebtedness (which should be deducted as distinguished from business indebtedness) (which should be deducted under Schedule D). Do not include interest on indebtedness incurred or continued to purchase or carry obligations (other than obligations of the United States issued after September 24, 1917, and originally subscribed for by the taxpayer) the interest upon which is wholly exempt from taxation. Any deduction on account of interest should be explained and itemized in Schedule H.

Attention is called to the following limitations on deductions for unpaid expenses and interest provided in section 24 (c):

(a) **Unpaid expenses and interest.**—In computing net income no deduction shall be allowed under section 23 (A), relating to expenses incurred, or under section 23 (b), relating to interest accrued:

(1) If the expenses or interest are not paid within the taxable year or within two or more months after the close thereof; and

(2) If, by reason of the method of accounting of the person to whom the payment is to be made, the amount is not included in the gross income of such person for the taxable year in which or with which the taxable year of the taxpayer ends;

(b) If, at the close of the taxable year of the taxpayer or at any time within the taxable year, there are no persons to whom the payment is to be made, or if the persons to whom the payment is to be made are persons between whom losses would be disallowed under section 24 (b).

15. Taxes.—Enter as item 15 taxes imposed upon you, or property owned or accrued during the taxable year, in connection with a business or profession, or for the business or profession and those assessed against local benefits of a kind tending to increase the value of the property assessed. Do not include Federal income taxes, nor estate, inheritance, legacy, succession, gift taxes, taxes imposed upon your interest as shareholder of a corporation which are paid by the corporation without reimbursement from you, nor income taxes claimed as a credit in item 23.

Do not include taxes imposed under section 801 of the Social Security Act or in behalf of the employee is a Federal income tax and is not deductible for the employee. Do not include sales taxes unless such taxes were imposed directly upon you by law. No deduction is allowable for any portion of foreign income and profits taxes if a credit is claimed in item 33.

Any deduction on account of taxes should be explained and itemized in Schedule H.

16. Losses from fire, storm, shipwreck, or other casualty, or theft.—Enter as item 16 losses of property not connected with your business or profession, sustained during the year, if arising from fire, storm, shipwreck, or other casualty, or from theft, and if not compensated for by insurance or otherwise.

Excess and deductible losses claimed in Schedule H, setting forth a description of the property, date acquired, cost, subsequent improvements, depreciation allowable since acquisition, insurance, salvage value, and deductible loss.

17. Bad debts.—Enter as item 17 all bad debts other than those claimed as a deduction in Schedule H. Set forth in Schedule H (a) the names of the debts claimed, (b) name and family relationship, if any, of the debtor, (c) when they were created, (d) when they became due, (e) what efforts were made to collect, and (f) how they were actually determined to be worthless. Bonds which are ascertained to be worthless and charged off within the taxable year, and which are capital assets, are not to be treated as bad debts, but the loss resulting therefrom shall be considered as a loss from the sale or exchange, on the last day of such taxable year, of capital assets and should be reported in Schedule F.

18. Other deductions.—Enter as item 18 any other authorized deductions for which no space is provided on page 1 of the return. Do not deduct losses incurred in transactions which were neither connected with your trade or business nor entered into for profit. Losses from entering into transactions and solely for the extension of the gains derived by you from such transactions. Any deduction claimed should be explained in Schedule H.

Stock and stock rights which become worthless during the taxable year, and which are capital assets, should not be included among other deductions in item 18, but the loss resulting therefrom shall be considered as a loss from the sale or exchange, on the last day of such taxable year, of capital assets and should be reported in Schedule F. In case you incurred expenses in connection with exempt income (other than interest) or owned any property the income from which is exempt, see section 24 (a) (5) and Regulations 101.

22. 23. Credit for personal exemption and dependents.—Enter as

items 22 and 23 the amounts explained in Schedule J-1 and J-2. A single person, or a married person not living with husband or wife, is entitled to a personal exemption of \$1,000. A person who, during the taxable year, was the head of a family or was married and living with husband or wife, is entitled to an exemption of \$2,500. If husband and wife file separate returns, the personal exemption may be taken by either or divided between them.

A "head of a family" is an individual who actually supports and maintains in one household one or more individuals who are closely connected with him by blood relationship, relationship by marriage, or by adoption, and who have right to exercise family control and provide for these dependent individuals is based upon some moral or legal obligation.

In addition to the personal exemption, a credit of \$400 may be claimed for each person (other than husband or wife) under 18 years of age, or incapable of self-support because mentally or physically defective, who received his or her chief support from the taxpayer. This credit may be allowed only to the person who furnishes the chief support and may not be divided between two individuals.

If the status of the taxpayer, insofar as it affects the personal exemption or credit for dependents, changes during the taxable year, the personal exemption and credit shall be apportioned in accordance with the number of months before and after such change. For the purpose of such apportionment a fraction of a month shall be treated as if it amounted to more than half a month, in which case it shall be considered as a month. For example, if a child became 18 years of age on June 16, 1938, the taxpayer will be allowed a credit of \$200 for such dependent.

25. Credit for interest on Government obligations, etc.—Enter as item 25 interest on Government obligations, etc., reported as item 5, and also dividends on share accounts in Federal savings and loan associations.

26. Earned income credit.—Enter as item 26 the amount of earned income credit computed in Schedule K-1 or K-2.

"Earned income" means wages, salaries, professional fees, and other amounts received as compensation for personal services actually rendered, but does not include any amount not included in gross income, nor that part of the compensation derived by a corporation from services rendered by the corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered. In the case of a taxpayer engaged in a trade or business in which both personal services and capital are material income-producing factors, a reasonable allowance as compensation for the personal services actually rendered by the taxpayer, not in excess of 30 per cent of the net profit, may be used to determine the amount to be considered as earned income. "Earned income deductions" means such deductions as are allowable by section 23, for the purposes of computing net income, and are properly allocable to or chargeable against earned income. "Earned net income" means the excess of the amount of the earned income over the sum of the earned income deductions. The earned income credit allowable to each spouse in a joint return is the excess of the net profit over the sum of the earned income; however, the earned income, earned income deductions, earned net income, and net income of each spouse must be shown separately.

29. Surtax.—The surtax is computed at the graduated rates shown in the table below. Its application may be illustrated by the following example: If your surtax net income (item 24) is \$9,261.84, the surtax on \$8,000 is \$180 and the surtax on the excess of \$1,261.84 is 6 percent of that amount, or \$75.71, making a total surtax of \$255.71 to be entered as item 29.

SURTAX RATES

Amount of surtax net income	Rate per cent	Total surtax	Amount of surtax net income	Rate per cent	Total surtax
A	B	C	D	E	F
\$0 to \$1,000	0	0	\$1,000 to \$2,000	10	\$10.00
1,000 to 2,000	1	10.00	2,000 to 3,000	15	25.00
2,000 to 3,000	2	20.00	3,000 to 4,000	20	40.00
3,000 to 4,000	3	30.00	4,000 to 5,000	25	55.00
4,000 to 5,000	4	40.00	5,000 to 6,000	30	70.00
5,000 to 6,000	5	50.00	6,000 to 7,000	35	85.00
6,000 to 7,000	6	60.00	7,000 to 8,000	40	100.00
7,000 to 8,000	7	70.00	8,000 to 9,000	45	115.00
8,000 to 9,000	8	80.00	9,000 to 10,000	50	130.00
9,000 to 10,000	9	90.00	10,000 to 11,000	55	145.00
10,000 to 11,000	10	100.00	11,000 to 12,000	60	160.00
11,000 to 12,000	11	110.00	12,000 to 13,000	65	175.00
12,000 to 13,000	12	120.00	13,000 to 14,000	70	190.00
13,000 to 14,000	13	130.00	14,000 to 15,000	75	205.00
14,000 to 15,000	14	140.00	15,000 to 16,000	80	220.00
15,000 to 16,000	15	150.00	16,000 to 17,000	85	235.00
16,000 to 17,000	16	160.00	17,000 to 18,000	90	250.00
17,000 to 18,000	17	170.00	18,000 to 19,000	95	265.00
18,000 to 19,000	18	180.00	19,000 to 20,000	100	280.00
19,000 to 20,000	19	190.00	20,000 to 21,000	105	295.00
20,000 to 21,000	20	200.00	21,000 to 22,000	110	310.00
21,000 to 22,000	21	210.00	22,000 to 23,000	115	325.00
22,000 to 23,000	22	220.00	23,000 to 24,000	120	340.00
23,000 to 24,000	23	230.00	24,000 to 25,000	125	355.00
24,000 to 25,000	24	240.00	25,000 to 26,000	130	370.00
25,000 to 26,000	25	250.00	26,000 to 27,000	135	385.00
26,000 to 27,000	26	260.00	27,000 to 28,000	140	400.00
27,000 to 28,000	27	270.00	28,000 to 29,000	145	415.00
28,000 to 29,000	28	280.00	29,000 to 30,000	150	430.00
29,000 to 30,000	29	290.00	30,000 to 31,000	155	445.00
30,000 to 31,000	30	300.00	31,000 to 32,000	160	460.00
31,000 to 32,000	31	310.00	32,000 to 33,000	165	475.00
32,000 to 33,000	32	320.00	33,000 to 34,000	170	490.00
33,000 to 34,000	33	330.00	34,000 to 35,000	175	505.00
34,000 to 35,000	34	340.00	35,000 to 36,000	180	520.00
35,000 to 36,000	35	350.00	36,000 to 37,000	185	535.00
36,000 to 37,000	36	360.00	37,000 to 38,000	190	550.00
37,000 to 38,000	37	370.00	38,000 to 39,000	195	565.00
38,000 to 39,000	38	380.00	39,000 to 40,000	200	580.00
39,000 to 40,000	39	390.00	40,000 to 41,000	205	595.00
40,000 to 41,000	40	400.00	41,000 to 42,000	210	610.00
41,000 to 42,000	41	410.00	42,000 to 43,000	215	625.00
42,000 to 43,000	42	420.00	43,000 to 44,000	220	640.00
43,000 to 44,000	43	430.00	44,000 to 45,000	225	655.00
44,000 to 45,000	44	440.00	45,000 to 46,000	230	670.00
45,000 to 46,000	45	450.00	46,000 to 47,000	235	685.00
46,000 to 47,000	46	460.00	47,000 to 48,000	240	700.00
47,000 to 48,000	47	470.00	48,000 to 49,000	245	715.00
48,000 to 49,000	48	480.00	49,000 to 50,000	250	730.00
49,000 to 50,000	49	490.00	50,000 to 51,000	255	745.00
50,000 to 51,000	50	500.00	51,000 to 52,000	260	760.00
51,000 to 52,000	51	510.00	52,000 to 53,000	265	775.00
52,000 to 53,000	52	520.00	53,000 to 54,000	270	790.00
53,000 to 54,000	53	530.00	54,000 to 55,000	275	805.00
54,000 to 55,000	54	540.00	55,000 to 56,000	280	820.00
55,000 to 56,000	55	550.00	56,000 to 57,000	285	835.00
56,000 to 57,000	56	560.00	57,000 to 58,000	290	850.00
57,000 to 58,000	57	570.00	58,000 to 59,000	295	865.00
58,000 to 59,000	58	580.00	59,000 to 60,000	300	880.00
59,000 to 60,000	59	590.00	60,000 to 61,000	305	895.00
60,000 to 61,000	60	600.00	61,000 to 62,000	310	910.00
61,000 to 62,000	61	610.00	62,000 to 63,000	315	925.00
62,000 to 63,000	62	620.00	63,000 to 64,000	320	940.00
63,000 to 64,000	63	630.00	64,000 to 65,000	325	955.00
64,000 to 65,000	64	640.00	65,000 to 66,000	330	970.00
65,000 to 66,000	65	650.00	66,000 to 67,000	335	985.00
66,000 to 67,000	66	660.00	67,000 to 68,000	340	1,000.00
67,000 to 68,000	67	670.00	68,000 to 69,000	345	1,015.00
68,000 to 69,000	68	680.00	69,000 to 70,000	350	1,030.00
69,000 to 70,000	69	690.00	70,000 to 71,000	355	1,045.00
70,000 to 71,000	70	700.00	71,000 to 72,000	360	1,060.00
71,000 to 72,000	71	710.00	72,000 to 73,000	365	1,075.00
72,000 to 73,000	72	720.00	73,000 to 74,000	370	1,090.00
73,000 to 74,000	73	730.00	74,000 to 75,000	375	1,105.00
74,000 to 75,000	74	740.00	75,000 to 76,000	380	1,120.00
75,000 to 76,000	75	750.00	76,000 to 77,000	385	1,135.00
76,000 to 77,000	76	760.00	77,000 to 78,000	390	1,150.00
77,000 to 78,000	77	770.00	78,000 to 79,000	395	1,165.00
78,000 to 79,000	78	780.00	79,000 to 80,000	400	1,180.00
79,000 to 80,000	79	790.00	80,000 to 81,000	405	1,195.00
80,000 to 81,000	80	800.00	81,000 to 82,000	410	1,210.00
81,000 to 82,000	81	810.00	82,000 to 83,000	415	1,225.00
82,000 to 83,000	82	820.00	83,000 to 84,000	420	1,240.00
83,000 to 84,000	83	830.00	84,000 to 85,000	425	1,255.00
84,000 to 85,000	84	840.00	85,000 to 86,000	430	1,270.00
85,000 to 86,000	85	850.00	86,000 to 87,000	435	1,285.00
86,000 to 87,000	86	860.00	87,000 to 88,000	440	1,300.00
87,000 to 88,000	87	870.00	88,000 to 89,000	445	1,315.00
88,000 to 89,000	88	880.00	89,000 to 90,000	450	1,330.00
89,000 to 90,000	89	890.00	90,000 to 91,000	455	1,345.00
90,000 to 91,000	90	900.00	91,000 to 92,000	460	1,360.00
91,000 to 92,000	91	910.00	92,000 to 93,000	465	1,375.00
92,000 to 93,000	92	920.00	93,000 to 94,000	470	1,390.00
93,000 to 94,000	93	930.00	94,000 to 95,000	475	1,405.00
94,000 to 95,000	94	940.00	95,000 to 96,000	480	1,420.00
95,000 to 96,000	95	950.00	96,000 to 97,000	485	1,435.00
96,000 to 97,000	96	960.00	97,000 to 98,000	490	1,450.00
97,000 to 98,000	97	970.00	98,000 to 99,000	495	1,465.00
98,000 to 99,000	98	980.00	99,000 to 100,000	500	1,480.00
99,000 to 100,000	99	990.00			

32. Income tax paid at the source.—Enter as item 32, 2 percent of interest on bonds on which a Federal income tax was paid at the source by the debtor corporation.

33. Income tax paid to a foreign country or United States possession.—If, in accordance with section 131 (a), a credit is claimed in item 33 for income, war-profits, and excess-profits taxes paid to a foreign country or a possession of the United States, submit Form 1116 with your return with the receipts for such payments. If the return is filed for tax-exempt income, the form must have attached to it a certified copy of the return on which the tax was based, and the Commissioner may require a bond on Form 1117 for the payment of any tax found due if the tax when paid differs from the credit claimed.

Schedule "F" - Gains & Losses from Sale or Exchange of Property

Date Acquired	Date Sold or Exchanged	Time Held	Gross Sales Price	Cost or Other Basis	Expense of Sale	Gain or Loss
Description 10/13/37	10 shares Atlantic Refining Co. 2/21/38	4 months	\$227.07	212.15		\$14.92 G.
Description 10/15/37	10 shares F. M. Woolworth Co. 2/7/38	4 months	415.94	403.30		12.64 12.64 G.
Description 10/11/37	10 shares General Motors Corp. 10/24/38	1 year	512.91	440.80		72.11 72.11 G.
Description 10/11/37	10 shares General Motors Corp. 10/24/38	1 year	512.91	337.05		175.86 175.86 G.
Description 10/15/37	10 shares General Tire & Rubber Co. 10/2/38	1 year	213.44	150.69		180.86 62.71 G.
Total						\$343.30

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-Dividends received in 1938-

Adams Express Company, New York, N. Y.....	\$ 8.00 -
Alaska Company " " " "	12.00 -
American Bank Note " " " "	7.00 -
" Cyanamide Company, New York, N. Y.....	22.50 -
Atlantic Refining Company, Philadelphia, Pennsylvania.....	2.50 -
Columbian Carbon Company, New York, N. Y.....	60.00 -
Consolidated Oil " " " " "	24.00 -
Container Corporation, Chicago, Illinois.....	3.00 -
General Cigar Company, New York, N. Y.....	20.00 -
" Motors Corporation, Detroit, Michigan.....	15.00 -
Hooker Products Corporation, New York, N. Y.....	12.00 -
Lehman Corporation " " " "	2.50 -
Liquid Carbonic Company, Chicago, Illinois.....	25.00 -
Louisville Gas & Electric Company, Louisville, Kentucky.....	15.00 -
Makesport Tin Plate, New York, N.Y.....	5.00 -
Midland Steel Products Corporation, Cleveland, Ohio.....	45.00 -
Brush-Kalvinator Corporation, Detroit, Michigan.....	1.25 -
National Cash Register Company, Dayton, Ohio.....	12.00 -
National Power & Light Company, New York, N. Y.....	39.00 -
" Dairy Products Company " " " "	10.00 -
Winington Land St. Louis, Missouri.....	7.50 -
Sierra Pacific Power Company, New York, N.Y.....	4.50 -
Socony Vacuum Oil Company, New York, " "	8.00 -
Southern California Edison, Los Angeles, California.....	61.25 -
Swift International Chicago, Illinois.....	21.00 -
Standard Brands Inc. New York, N. Y.....	45.75 -
Texas Pacific Land Trust " " " "	12.75 -
United Gas Improvement Co. " " " "	10.00 -
Union Electric Light & Power Company, St. Louis, Missouri.....	22.00 -
United States Insurance Shares, New York, N.Y.....	1.75 -
Wagner Electric Company, St. Louis, Missouri.....	30.00 -
Westvaco Chlorine Products Company, New York, N.Y.....	20.00 -
Wangor & Westbrook N. B. Wangor, Maine.....	27.50 -